



ELITE 11

U.S. INDUSTRIAL MARKETS

MID-YEAR 2019

ELITE 11 DEFINED

In addition to an analysis of all primary and secondary markets nationwide in its quarterly [National Industrial Market Overview](#), Transwestern tracks 11 growth markets across the U.S. that continue to lure global investors of industrial real estate.

These Elite 11 regions are preferred locations for big-box distribution users and/or areas in high demand by logistics and manufacturing companies.

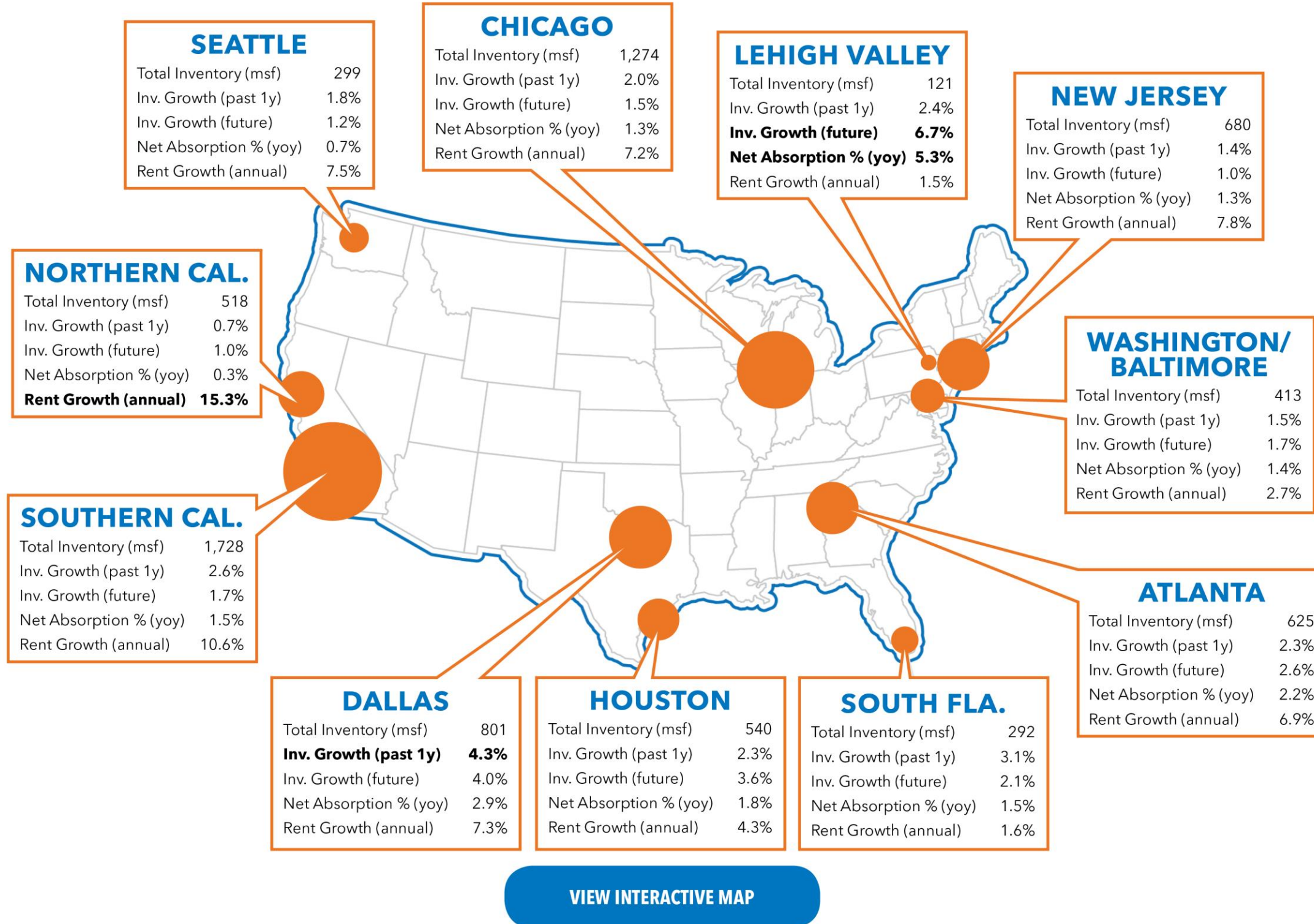
Growth indicators for the Elite 11 are based primarily on rent acceleration, space absorption and pace of development relative to the size of each market.

MARKET	INVENTORY (MSF)
Atlanta	624.5
Chicago	1274.1
Dallas-Fort Worth	800.7
Houston	540.3
Lehigh Valley	121.2
New Jersey	679.8
Northern California	518.4
Seattle	299.2
South Florida	292.4
Southern California	1727.8
Washington/Baltimore	412.9

NATIONAL OUTLOOK

Industrial real estate is benefitting from a trifecta of market conditions: (1) a secular shift in consumer sentiment has fostered broad-based tenant expansion in logistics properties; (2) net operating income is increasing at the asset level, very broadly, and agnostic to cycle length, and (3) investor conviction has never been higher; with lower capitalization rates being applied to higher NOI, resulting in higher asset valuations.

This environment has given rise to a record level of industrial space under construction – in fact, the volume is more than double that of five years ago. Overbuilding, which affected sector performance in previous cycles, does not seem to be a threat due to labor challenges and rising land prices that will keep construction in check. Additionally, tariffs and trade disputes will lengthen lead times and costs for construction materials.

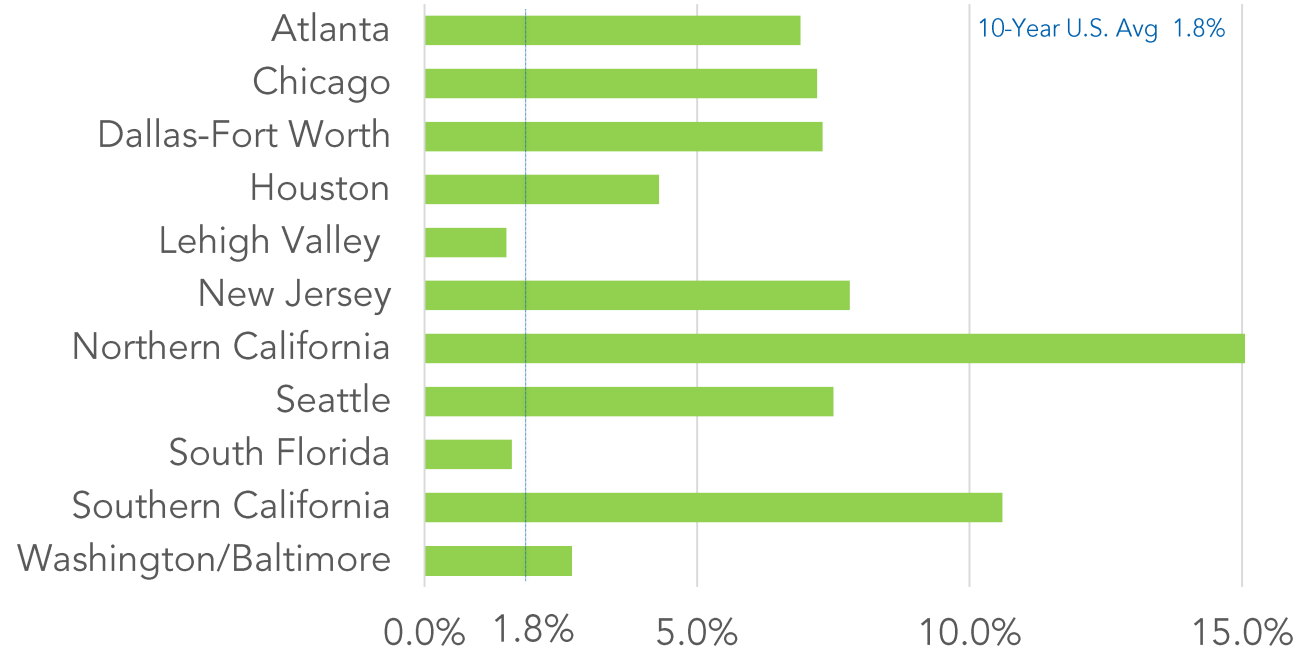


Bold text indicates top-ranked indicator nationally.

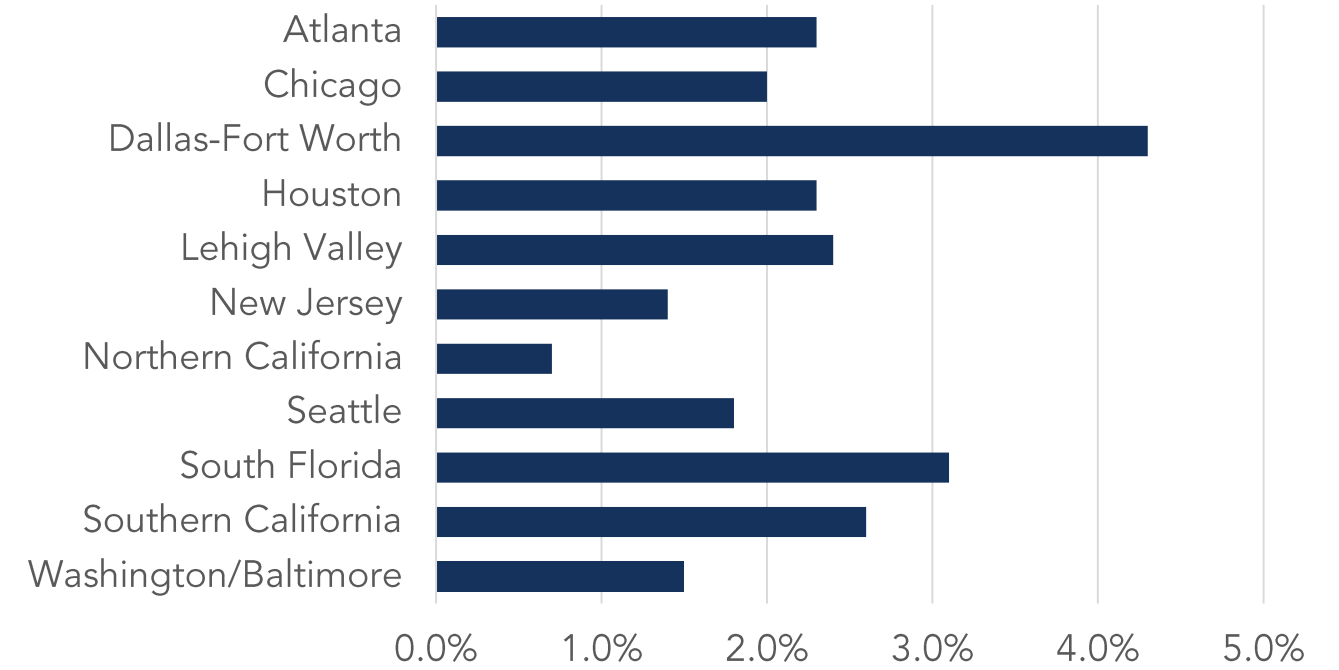
MARKET HIGHLIGHTS

- Seven of 11 markets recorded YOY rent growth greater than 5%, considerably higher than the 10-year U.S. average of 1.8%.
- The California regions each recorded rent growth greater than 10% over the past 12 months.
- Dallas' inventory is increasing at a torrid pace; it is the only market registering greater than 4% growth during the past 12 months.
- South Florida took the No. 2 spot for YOY inventory growth, as Miami will likely set a new record for deliveries in 2019.
- Houston moved into the top three markets for future growth, with robust development across the metro.
- Despite strong demand and a high level of new construction, Lehigh Valley rent growth is the slowest of the 11 markets.

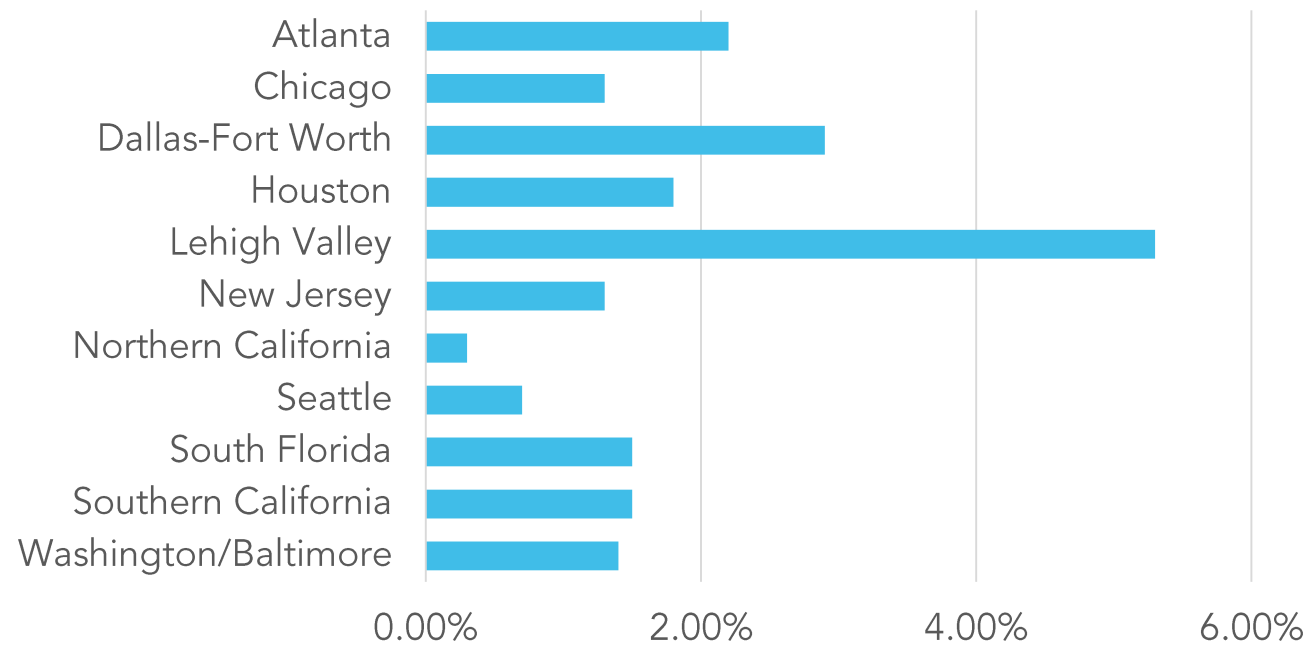
RENT GROWTH
Year-over-Year



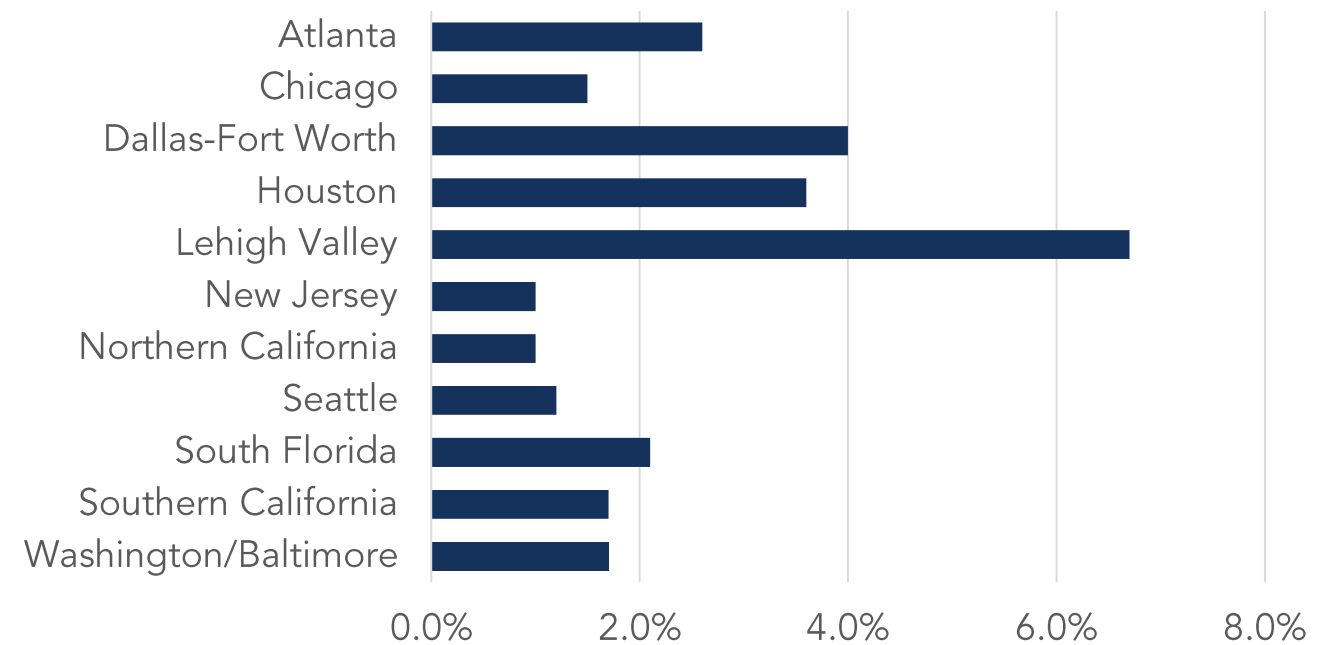
12-MONTH MARKET GROWTH
Percentage of Inventory



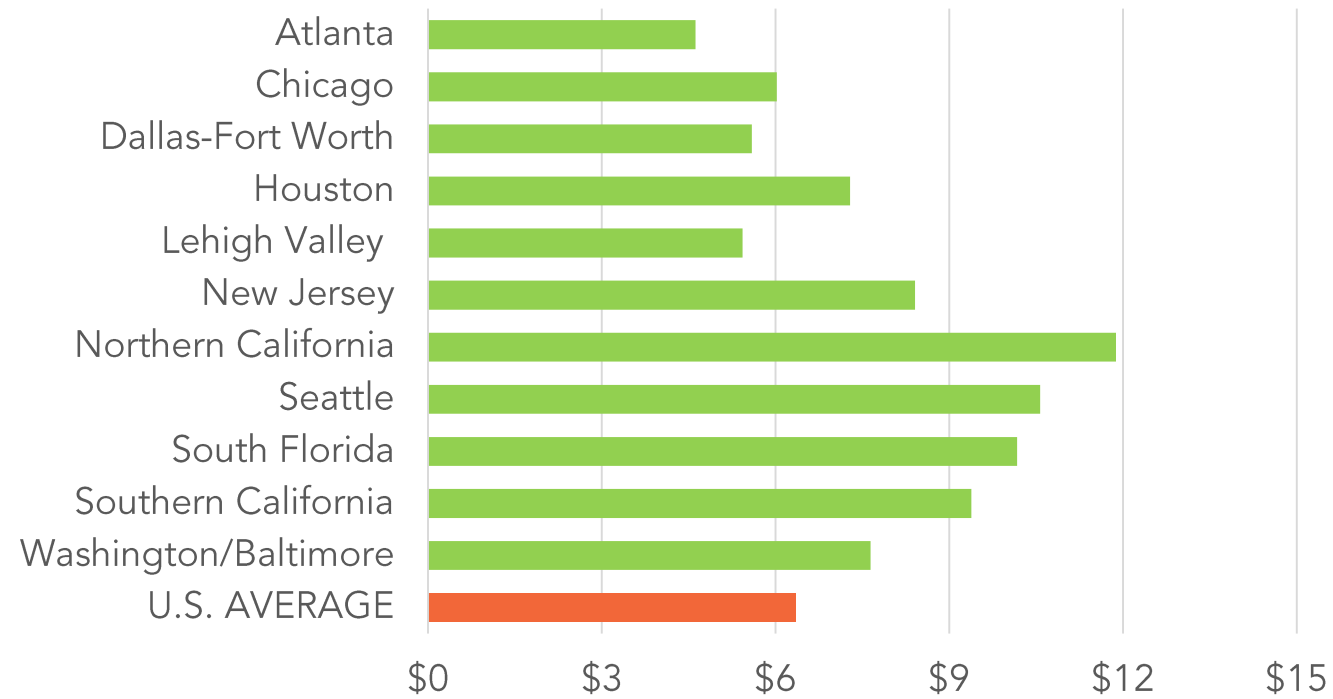
4-QUARTER NET ABSORPTION
Percentage of Inventory



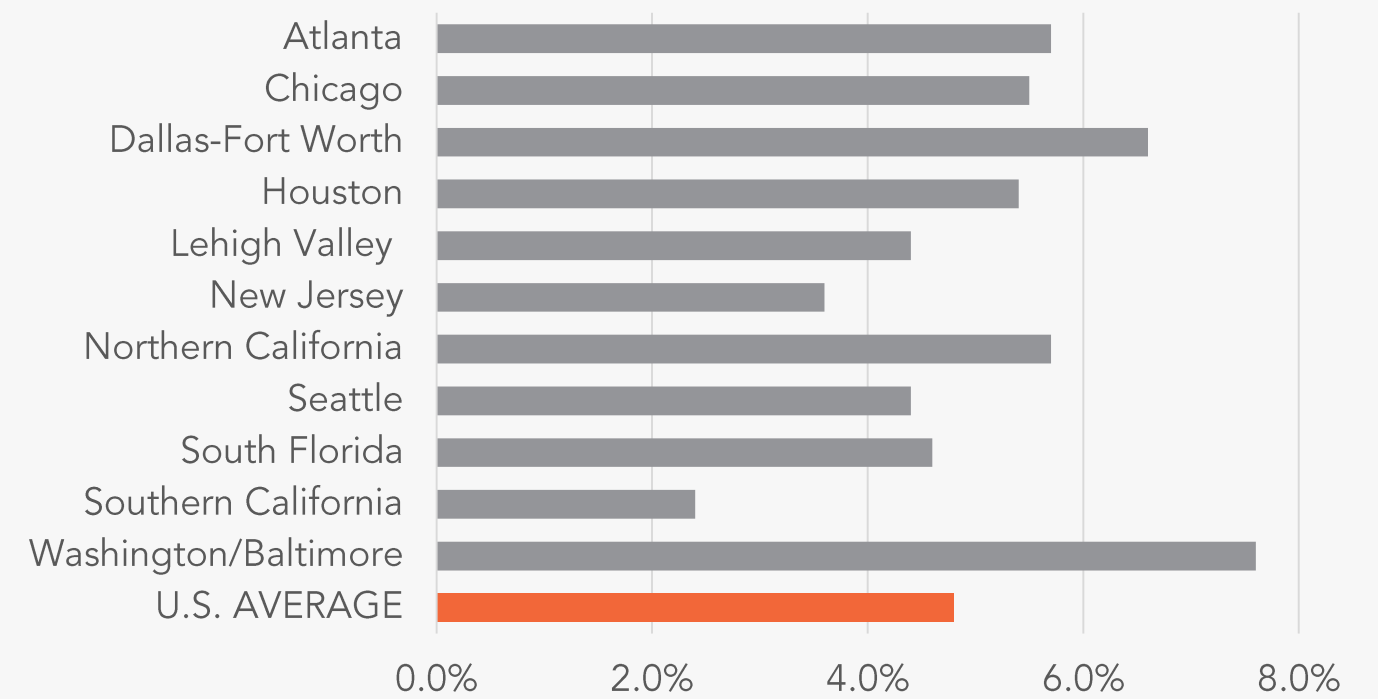
FUTURE DELIVERIES
Percentage of Inventory



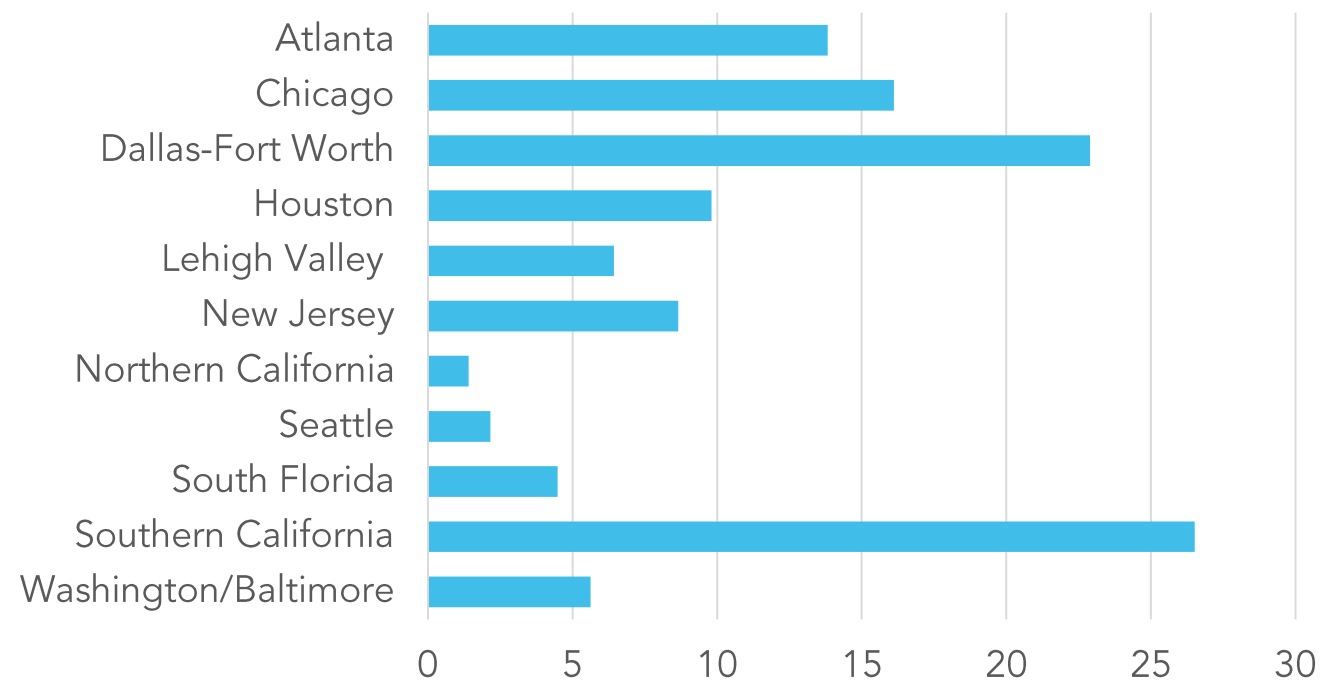
ASKING RENT PSF NNN



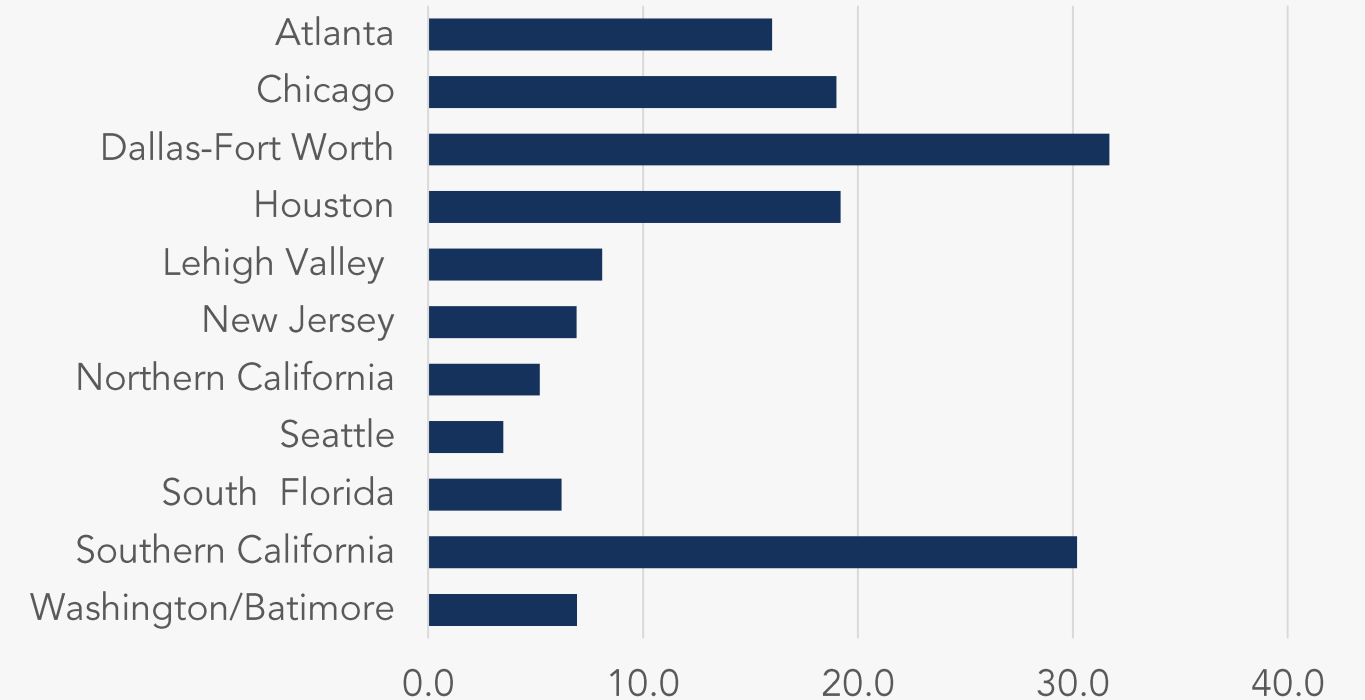
VACANCY RATE



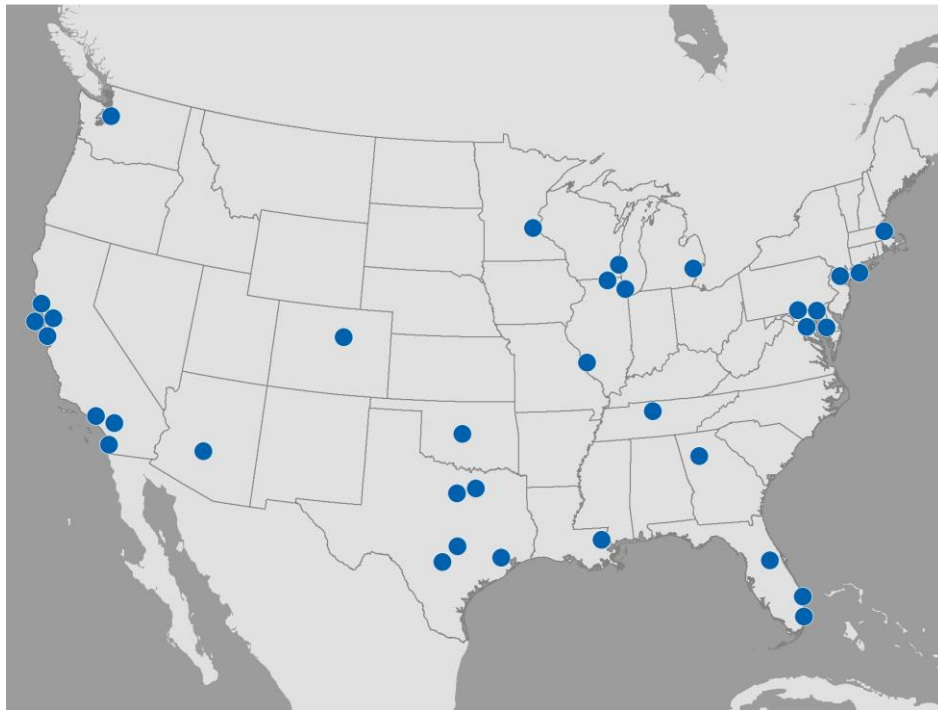
TRAILING 4-QUARTER NET ABSORPTION (MSF)



UNDER CONSTRUCTION (MSF)



TRANSWESTERN LOCATIONS



REPORT METHODOLOGY

The information in this report is a compilation of competitive industrial properties located in select U.S. metropolitan areas.

- Northern California includes East Bay/Oakland, Sacramento and San Jose/Silicon Valley
- Southern California includes Inland Empire, Los Angeles, Orange County and San Diego
- South Florida includes Miami and Broward County
- Washington/Baltimore includes Baltimore, District of Columbia, Northern Virginia and Suburban Maryland

TRANSWESTERN RESEARCH

In markets across the country, our research professionals produce sophisticated data analyses, local market reports and insight on national trends that helps clients make informed real estate decisions.

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